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RECEIVED

September 11, 2002

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VIA COURIER

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Marlene H. Dortch, Secretary  
Federal Communications Commission  
The Portals  
445 12th Street, S.W.  
Washington, D.C. 20554

**Re: Notice of *Ex Parte* Meeting of Virgin Mobile USA, LLC**

In the Matter of Federal-State Joint Board on Universal Service CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990 CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization CC Docket No. 99-200; Telephone Number Portability CC Docket No. 95-116; Truth-in-Billing and Billing Format CC Docket No. 98-170

Dear Ms. Dortch:

Virgin Mobile USA, LLC ("Virgin Mobile") submits this notice of an *ex parte* meeting held on September 10, 2002. The following individuals were present at the meeting: on behalf of Virgin Mobile, Peter Lurie (General Counsel of Virgin Mobile) and Helen Disenhaus and Douglas Orvis (Swidler Berlin Shereff Friedman, LLP); and, on behalf of the Commission, Eric Einhorn, Diane Law Hsu, Paul Garnett, Vicki Byrd, and Jonathan Secrest (all of the Wireline Competition Bureau).

At the meeting, Virgin Mobile explained its operations as a new-entrant that is a pre-paid wireless provider. In addition, Virgin Mobile explained how a connection-based USF collection

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September 11, 2002  
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policy would be detrimental to the prepaid wireless industry and consumers, and urged retention of the current interstate revenue-based USF assessment policy. Virgin Mobile used the attached materials in the presentation.

Pursuant to Commission rule 1.1206, an original and one copy are enclosed with this filing. If you have any questions regarding this submission, please contact the undersigned.

Respectfully submitted,



Helen E. Disenhaus  
Douglas D. Orvis II

Counsel for Virgin Mobile USA, LLC

Enclosure

cc: Eric N. Einhorn, Esq.  
Paul W. Garnett, Esq.  
Vicki S. Byrd, Esq.  
Diane Law Hsu, Esq.  
Jonathan Secrest, Esq.

**Federal Communications Commission**  
**September 10, 2002**



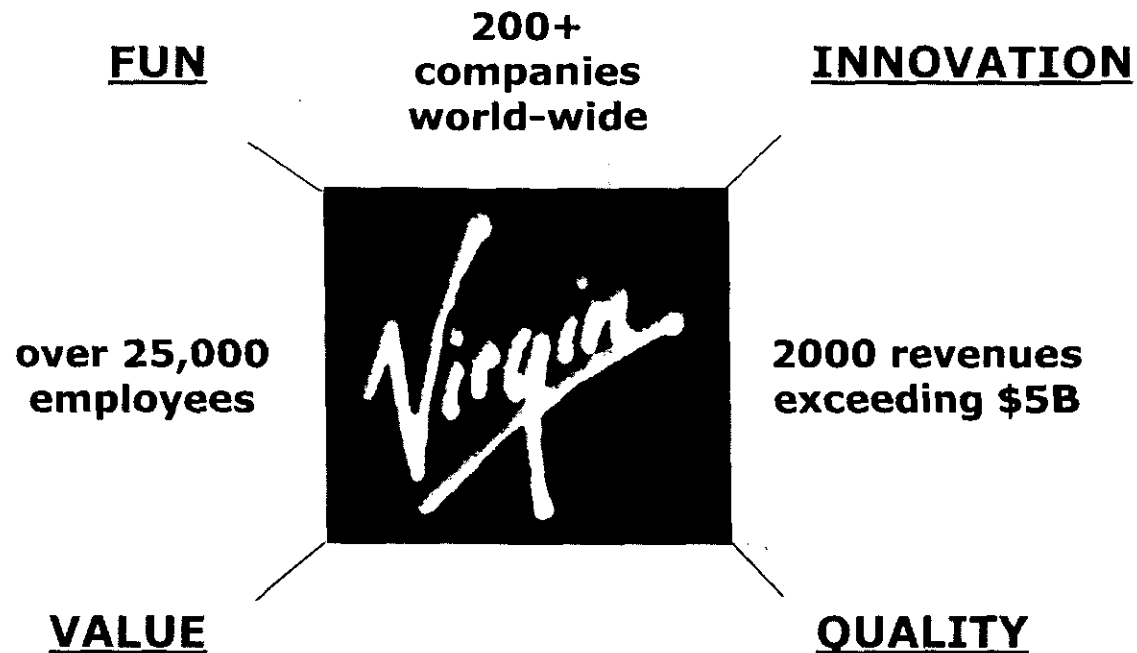
# Agenda

Introduction

Who Subscribes to Prepaid Wireless?

How the Connection-Based Policy is Bad for  
Prepaid Wireless Customers.

# The Virgin Group



**"The Virgin brand is all about delivering great value to consumers, while constantly being innovative, modern and fun in all we do."**

**– Richard Branson**

# Virgin Mobile USA, LLC

**50/50 Joint Venture:**

**Bluebottle USA Holdings, LP,  
a Virgin Group entity**

**Sprint Ventures Inc.,  
an affiliate of Sprint Spectrum LP  
(Sprint PCS)**



# The Wireless Market is Currently Full of Confusing Offers

## Overly Complex

"The upshot for consumers has been wildly mixed. Competition has cut rates and boosted minutes of usage. But the plethora of plans and myriad restrictions and charges can make it impossible to figure out the best offer or track whether rates are being accurately applied."

**-Wall Street Journal, 2002**

## Confusing Economics

"Not all minutes are created equally; there are 'anytime' minutes and off-peak minutes, which can be used only on nights or weekends. While 300 anytime minutes may sound like a lot, that only amounts to roughly 10 minutes a day, which won't cut it for many users. But splurging for a bigger bucket may not make sense, either, because you can't carry minutes over from month to month."

**-USA Today, 2001**

## Poor Value

"Many customers are discovering that the new technology (wireless) comes with a host of old-fashioned problems: confusing and misleading advertisements, complicated payment plans, indecipherable bills, unexpected charges and poor service."

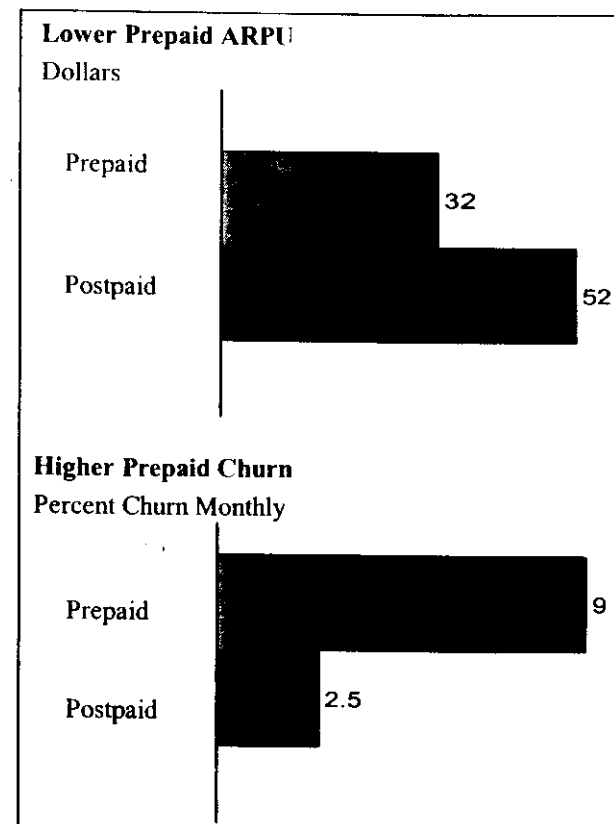
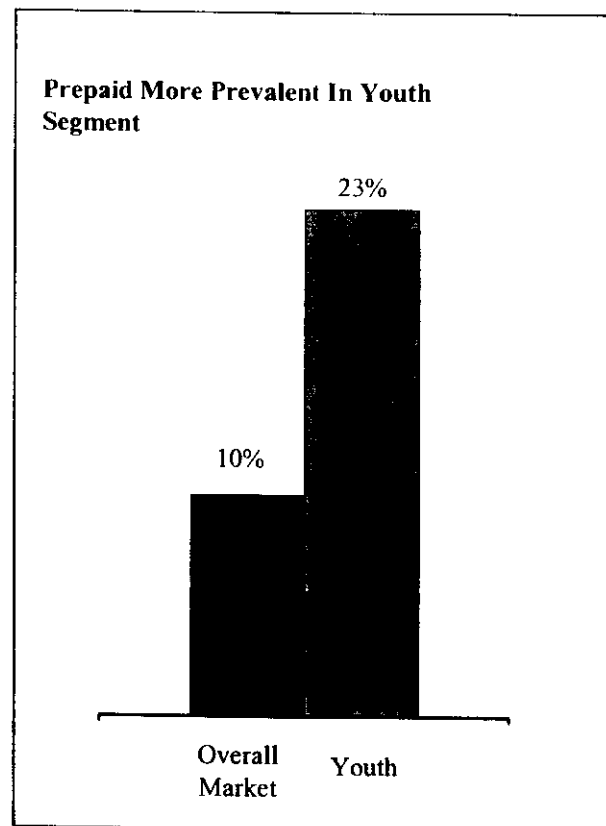
**-Washington Post, 2001**

## Not Tailored to Youth

"Prepaid plans, which are popular in Europe, often cost about 50 cents a minute in the United States. For month-to-month plans, many carriers require a deposit."

**-New York Times, 2002**

# Youth Market Prefers Prepaid – But the Market Presents Challenging Economics for Incumbents





# VM USA Has A New Approach to US Wireless

- Shake Up the Wireless Industry
  - Challenge Traditional Thinking
  - Provide a Fresh Alternative
- Reinvent U.S. Prepaid
  - Make Pay-As-You-Go Cool!
  - Not Just for the Credit Challenged
- Make it Easy for the Customer
  - Pay Only for What You Use
  - All-Inclusive, Straightforward Prices
  - No Long-Term Commitment
  - Stay with VM USA Because of Service, Not Long-Term Contract

# Competitive Pricing

- Competitive Pricing – Putting Pay as You Go on a Par with Post-Paid
- An Innovative Pricing Structure: “The More You Use, The Cheaper it Gets”
  - The Price is the Price Whenever You Call, Wherever You Call
  - No Difference Between Day/Night, Weekdays/Weekends, Local/Long distance
- No Additional Fees on Activation, Voice Mail, Call Waiting and Caller ID

# Connection-Based USF Adversely Affects Prepaid Wireless Customers

- **Prepaid customers tend to be lower usage customers than postpaid**
- **No established billing relationship with customers**
- **Connection-based policy creates pricing difficulty**
- **Connection-based system is anti-competitive**
- **Connection-based system may be unlawful**

# Prepaid customers tend to be lower usage customers than postpaid users

- **Prepaid typically have no minimum monthly usage requirements.**
- **A customer with a \$20 card may take 1 day or 3 months to use \$20 worth of airtime.**

# Prepaid Carriers Have No Established Billing Relationship With Customers

- **Customers typically quoted a cost in price per minutes**
- **Connection-based contribution (as well as the "Collect and Remit") system may require carrier to establish an entire billing system**
- **There is no reasonable way for prepaid carriers to pass USF through to end users, even under a "Collect and Remit" system**
- **Completely change all-inclusive pricing model**

# Connection-Based Policy Creates Pricing Difficulty for Prepaid Wireless

- A customer who purchases a \$20 top-up and uses it immediately will cost a company nothing in USF
- Another customer with the same \$20 top-up could take three months to use the minutes, thus costing a carrier over 15% of their revenue.
- This fact makes it impossible for a company to effectively price fairly for the same \$20 card.

# Connection-Based Policy Creates Pricing Difficulty for Prepaid Wireless

- **A low usage consumer would pay significantly more in USF payments on a per minute basis, and could pay even if they had *no* interstate traffic**
- **Prepaid providers forced to price based on average usage, to the detriment of low-usage consumers**
- **Eliminates effectiveness and customer-friendly nature of “one rate” pricing**

# Connection-Based Policy is Anti-Competitive

- **Wireless pays more than its fair share in most connection-based proposals**
- **Prepaid wireless particularly harmed; prepaid long distance wireline is effectively exempt**
- **Subjects intrastate traffic to double assessment, both state and federal universal service programs.**



# Connection-based Policy may be Unlawful

- **Connection-based policy effectively assesses contribution on intrastate traffic**
- **Connection-based policy misses large portions of interstate telecommunications**